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Industrial Development Board

Resumed eighteenth session
Vienna, November 1997
Agenda item 2

PRI SITY

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ANNOTATED AGENDA

The annotated provisional agenda covering part one of the eighteenth session, convened on 12 September 1997, was issued under the symbol IDB.18/1/Add.1. The present annotations provide an update of that document, taking into account mandates of the thirteenth session of the Programme and Budget Committee and part one of the eighteenth session of the Board. The present document should be considered in conjunction with the reports of both sessions (IDB.18/2 and GC.7/6) and with the summary records of the Board (IDB.18/SR.1-2).

Item 2. Adoption of the agenda

The agenda for the eighteenth session of the Board contained in document IDB.18/1/Rev.1 was adopted at part one of its eighteenth session (IDB.18/SR.1, paras. 4-6).

Item 3. Recommendation of a candidate for the post of Director-General

Item 3 will be considered by the resumed eighteenth session for the purpose of recommending to the General Conference a draft contract for the appointment of the Director-General (GC.7/6, para. 16; IDB.18/SR.2, paras. 3-6).

The Board will have before it:

- Draft contract for appointment of the Director-General. Note by the Secretariat (IDB.18/7)

Item 4. Report of the Programme and Budget Committee

(a) Scale of assessments

The General Conference, at its seventh session, will have to establish a scale of assessments for the years 1998 and 1999. In accordance with Article 10.4 (b) of the Constitution, the Committee shall prepare the draft scale of assessments for regular budget expenditures, for submission to the Board. Article 15.2 of the Constitution stipulates that the scale of assessments shall be based to the extent possible on the scale most recently employed by the United Nations and that no Member shall be assessed more than 25 per cent of the regular budget of the Organization.

In decision IDB.15/Dec.5, the Board requested the Director-General to monitor closely developments in the United Nations dealing with the scale of assessments, and also requested the Director-General to update the back-

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ground information on the ceiling of assessments (IDB.15/2) with respect to new developments in the United Nations. Documentation on this subject will be provided as appropriate to reflect developments occurring prior to the session.

The Board will have before it:

- Scale of assessments for the fiscal period 1998-1999. Note by the Secretariat (IDB.18/13-PBC.13/12)

- PBC conclusion 97/5 on the scale of assessments for the apportionment of the regular budget expenses (IDB.18/2, para. 16)

(b) Interim financial performance report and programme performance report for the biennium 1996-1997

Financial regulation 10.6 stipulates that, at the beginning of the second calendar year of each fiscal period, the Director-General shall submit to the Programme and Budget Committee an interim financial report on significant financial developments that have affected the Organization during the first calendar year of the fiscal period concerned.

Furthermore, the Committee in its conclusion 1987/19 requested the Director-General to submit each year to the Board, through the Committee, a clear and detailed financial performance report itemizing the utilization of financial resources, as well as a programme performance report describing the level of programme implementation. Subsequently, upon recommendation of the Committee and the Board, the General Conference, in its resolution GC.4/Res.2, requested the Director-General to incorporate fully in the annual reports the programme performance report for the relevant period. Thus, the Annual Report of UNIDO 1996 provides in its addendums the programme performance report for 1996. This information is supplemented by the financial statements, which continue to be issued as part of the interim financial performance report.

The Board will have before it:

- Interim financial performance report for the biennium 1996-1997. Submitted by the Director-General (IDB.18/4-PBC.13/4)

- Annual Report of UNIDO 1996 (including interim programme performance report for the biennium 1996-1997) (IDB.17/10-PBC.13/10, Add.1 and Add.2)

(c) Programme and budgets, 1998-1999

In accordance with Article 14.1 and 14.2 of the Constitution, the Director-General shall prepare and submit to the Board through the Committee a draft programme of work for the following fiscal period, together with the corresponding estimates for those activities to be financed from the regular budget. The Director-General shall, at the same time, submit proposals and financial estimates for those activities to be financed from voluntary contributions to the Organization. The Committee shall consider the proposals of the Director-General and submit to the Board its recommendations on the proposed programme of work and corresponding estimates for the regular budget and the operational budget. Such recommendations of the Committee shall require a two-thirds majority of the members present and voting.

At its sixteenth session, the Board in its decision IDB.16/Dec.12 requested the Director-General to prepare his programme and budget proposals for the biennium 1998-1999 with a ceiling lower than zero real growth, without constituting a precedent, while not affecting substantive programmes and activities. Subsequently, the Board, at its seventeenth session, adopted decision IDB.17/Dec.2, the annex to which proposed an indicative level of 20 per cent and 10 per cent reduction of the budget for the preparation of the 1998-1999 budget proposals. Furthermore, in response to the discussions at the seventeenth session and with the concurrence of the Board, the President of the Board requested the Secretariat to present a third budgetary proposal based on an indicative reduction of 30 per cent, with the understanding that it would be considered on an equal basis with the other two submissions (IDB.17/SR.8, para. 10).

Subsequently, the Committee at its thirteenth session took note of the documentation provided on the proposals for the programme and budgets, 1998-1999, and of the views expressed by Member States and requested the Director-General to prepare a programme and budget proposal for the biennium 1998-1999 on that basis. The Committee will consider the matter at its resumed thirteenth session.

The Board will have before it:

- Indicative 10 per cent budget reduction. Proposals by the Director-General (IDB.18/15/1-PBC.13/14/1)

- Indicative 20 per cent budget reduction. Proposals by the Director-General (IDB.18/15/2-PBC.13/14/2)

- Indicative 30 per cent budget reduction. Proposals by the Director-General (IDB.18/15-3-PBC.13/14/3)

- Programmatic and policy implications of the indicative budget reduction proposals. Submitted by the Director-General (IDB.18/15/4-PBC.13/14/4)

- Personnel and financial implications of the indicative budget reduction proposals. Submitted by the Director-General (IDB.18/15/5 Rev.1-PBC.13/14/5 Rev.1)

- Programme and budgets, 1998-1999. Revised proposals based on views expressed by Member States at the thirteenth session of the Programme and Budget Committee. Submitted by the Director-General (IDB.18/15/6-PBC.13/14/6)

- PBC recommendation emanating from its resumed thirteenth session on programme and budgets, 1998-1999

(d) Financial regulations and financial rules

At its sixteenth session, the Board took note of documents IDB.16/1 and Add.1 containing proposed amendments to the financial regulations, as well as the views expressed by delegations during the twelfth session of the Committee (IDB.16/Dec.9). The Board decided to establish an informal intersessional working group with the task of studying proposed amendments to the financial regulations.

The Board will have before it:

- Intersessional working group on proposed amendments to the financial regulations. Report of the Chairman (H.E. Mr. F. Mayrhofer-Grünbühel, Austria) (PBC.13/6-IDB.18/8)

- Amendments to the financial rules. Report by the Director-General (PBC.13/11-IDB.18/12)

- PBC conclusion 97/3 on financial regulations and financial rules (IDB.18/2, para. 13)

(e) Working Capital Fund

In accordance with financial regulation 5.4(a), the Committee should recommend to the Board the amount and purposes of the Working Capital Fund for the 1996-1997 biennium.

At its sixth session, the General Conference decided, in decision GC.6/Dec.16, that the level of the Working Capital Fund for the 1996-1997 biennium should be $6,750,000 and that the authorized purposes of the Fund should remain the same as those for previous bienniums (see decision GC.2/Dec.27).

The Board will have before it:

- Information on status of advances to the Working Capital Fund (contained in report on the financial situation) (PBC.13/13-IDB.18/14)

- Working Capital Fund for the biennium 1998-1999. Proposals by the Director-General (PBC.13/8-IDB.18/10)

- PBC conclusion 97/6 on the Working Capital Fund for the biennium 1998-1999 (IDB.18/2, para. 16)

(f) Appointment of an External Auditor

In accordance with financial regulation 11.1, an External Auditor, who shall be Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the General Conference.

The Conference, by decision GC.6/Dec.18, decided to extend the appointment of the President of the Federal Court of Audit of Germany as the External Auditor of UNIDO for a period of two years, from 1 July 1996 to 30 June 1998. The Conference also requested the Director-General, in future, to invite proposals from Member States for the appointment of an External Auditor and to submit such proposals to the Committee for consideration.

The Board will have before it:

- Candidatures for the appointment of an external auditor. Report by the Director-General (PBC.13/2)

- PBC conclusion 97/8 on proposals for the appointment of an external auditor (IDB.18/2, para. 21)

(g) Financial situation of UNIDO

The Industrial Development Board at its sixteenth session considered the financial situation of UNIDO and adopted decision IDB.16/Dec.5. Subsequent developments were reported to the Board in document IDB.17/24.

The Board also decided that the open-ended discussion group should continue working on the issue of timely payment of assessed contributions (IDB.16/Dec.6).

The Board will have before it:

- Intersessional open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions. Report of the Chairman (H.E. Mr. S. K. Lee, Republic of Korea) (PBC.13/5-IDB.18/5)

- Report of the External Auditor on the interim accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the first year of the fiscal period 1996-1997 ended 31 December 1996 (PBC.13/3-IDB.18/3)

- The financial situation of UNIDO. Update of document IDB.17/24. Report by the Director-General (PBC.13/13-IDB.18/14)

- Options for the recovery of arrears. Note by the Secretariat (IDB.18/18)

- PBC conclusion 97/2 on the financial situation (IDB.18/2, para. 12)

(h) Industrial Development Fund and other voluntary contributions

Rules governing the financial management of the Industrial Development Fund, which were prepared by the Director-General in accordance with the financial regulations established by the Conference in its decision GC.2/Dec.25, are contained in the Financial Rules of UNIDO (UNIDO/DG/B.74/Rev.1/Amend.1).

In accordance with Board decision IDB.4/Dec.30, the Director-General is to provide information as to the nature of projects financed from the Fund, indicating therein the projects financed from its general-purpose segment as well as information as to the projects financed from its special-purpose segment. In Programme and Budget Committee conclusion 95/5 and subsequently in Board decision IDB.14/Dec.3, the Director-General was requested to reflect information on trust fund contributions from Member States in the programme performance report.

In decision IDB.16/Dec.10, the Board, *inter alia*, requested the Director-General to undertake specific measures with a view to increasing the level of the Industrial Development Fund and to achieving a balanced distribution in dispensing special-purpose funds. The Board furthermore requested the Director-General to provide a list of actual project approvals, giving a brief description of each, for the 1996-1997 cycle.

The Board will have before it:

- Industrial Development Fund and other voluntary contributions. Report by the Director-General (PBC.13/7-IDB.18/9)

- Information on the nature of projects financed from the Industrial Development Fund, contained in the Annual Report of UNIDO 1996 (PBC.13/10-IDB.17/10, Add.1, appendix C)

- Information on the nature of projects financed from third party and self-financed trust funds, contained in the Annual Report of UNIDO 1996 (PBC.13/10-IDB.17/10, Add.1, appendix D)

(i) Withdrawal of the United States of America

The Board, at its sixteenth session, considered the note by the Secretariat on legal and financial implications of the withdrawal of the United States of America from UNIDO (IDB.16/5 and Corr.1) and the intervention of the delegation of that country confirming their intention to pay the arrears. The Board also appealed to the United States Government to reconsider its decision to terminate the tax reimbursement agreement with UNIDO; it requested the Director-General to continue his discussions with the United States authorities on those matters and to report to the Board on their outcome.

The Board will have before it:

- Issues arising from the withdrawal of the United States. Submitted by the Director-General (IDB.18/11-PBC.13/9)

- Options for the recovery of arrears. Note by the Secretariat (IDB.18/18)

- PBC conclusion 97/2 on the withdrawal of the United States of America (IDB.18/2, para. 12)

Item 5. Future role and functions of UNIDO

In its decision IDB.17/Dec.2, the Board requested the intersessional working group on the future role and functions of UNIDO to further develop, in consultation with the Secretariat, a set of criteria and indicators that would allow the future assessment of the implications and monitoring of the implementation of the UNIDO reform process, including the performance of the Organization, in particular through the programme and budget. The Board further requested the chairman of the intersessional

working group to report to the Board before the seventh session of the General Conference.

The Board will have before it:

- Intersessional working group on the future role and functions of UNIDO. Report of the Chairman (Mr. I. Posta, Hungary, President, Industrial Development Board) (IDB.18/17)

Item 6. Preparations for the seventh session of the General Conference

The Board at its seventeenth session adopted the provisional agenda for the seventh session of the General Conference (IDB.17/Dec.9).

Organizational and procedural matters related to the Conference will be discussed by permanent missions to UNIDO in briefings to be organized by the Secretariat. Furthermore, on 21 November 1997, Mr. I. Posta (Hungary), President of the Board, will convene a briefing during which recommendations to the General Conference on organizational and procedural matters could be formulated.

Item 7. International Centre for Science and High Technology

The inclusion of this supplementary item was proposed by the Permanent Representative of Italy to UNIDO in accordance with rule 12 of the rules of procedure of the Board. The supporting statement is contained in the annex to document IDB.18/16.

The Board will have before it:

- International Centre for Science and High Technology. Note by the Director-General (IDB.18/16 and Add.1)

Item 8. Provisional agenda and date of the nineteenth session

In accordance with rule 10.2 of the rules of procedure, the Director-General shall submit to the Board at each regular session the provisional agenda for the following regular session. However, in accordance with the recommendations adopted by the Board at its fifth session for the conduct of business and rationalization of proceedings, the provisional agendas for the regular sessions should be drawn up in biennial groups by a special brief session of the Board following the General Conference (IDB.5/Dec.46, annex, paras. 2 and 4).

Concerning the date of the nineteenth session, the attention of the Board is drawn to the following tentative reservations made for the policy-making organs of UNIDO for 1998:

11-15 May	Industrial Development Board, nineteenth session
7-11 September	Programme and Budget Committee, fourteenth session
16-20 November	Industrial Development Board, twentieth session